

CAIN BROTHERS

INVESTMENT BANKERS AND CAPITAL ADVISORS

SENATE JUDICIARY

Exhibit I

Date 2-5-07

Bill No SB 323

601 California Street
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November __, 2006, 2006

Mr. John Goodnow
Chief Executive Officer
BENEFIS HEALTHCARE
1101 26th Street South
Great Falls, Montana 59405

Re: Tax-Exempt Financing

Dear John:

Benefis Healthcare ("Benefis") has requested Cain Brothers & Company, LLC ("Cain Brothers") to elaborate on our October 11, 2006 letter (Exhibit I), summarizing our concerns and advice regarding the implications of the current Certificate of Public Accommodation ("COPA") on the ability of Benefis to successfully borrow approximately \$120 million through a tax-exempt bond issue, anticipated to be completed in March 2007.

In evaluating the prospects for Benefis' March 2007 bond issue, we analyzed Benefis' financial characteristics and concluded that, from a quantitative, financial perspective, Benefis would receive a mid-investment grade rating necessary to access the tax-exempt debt markets efficiently. Based on financial measurement criteria, we believe Benefis would achieve a 'Baa1' by Moody's and 'BBB+' by Standard and Poor's ("S&P") and possibly as high as a 'A'/'A' by Moody's and S&P, respectively. (Exhibit II hereto compares Benefis financial characteristics to Moody's and S&P financial medians for various credit rating categories.) Although Benefis has not decided whether it will issue rated bonds or obtain credit enhancement from a bond insurer or a commercial bank, it is likely that any of the tax-exempt bond market participants (rating agencies, bond insurers, commercial banks and bond investors) are likely to evaluate the credit profile and risk associated with debt issued by Benefis similarly.

As Cain Brothers has discussed with management and the Board on a various occasions, we have significant concerns about the negative assessment that the capital markets will make with respect to the risk and uncertainty created by the Great Falls Clinic and Essentia's joint investment in the Central Montana Surgical Hospital ("CMSH") and the limitations that the COPA imposes on Benefis' ability to develop and execute a comprehensive and timely strategic response to this threat. The CMSH threat and the COPA constraints limiting strategic responses will be viewed by the market as impacting Benefis' financial viability and thus the investment quality of its new debt. As a result, we believe it is highly likely that the rating agencies will rate Benefis debt lower than its financial characteristics would otherwise indicate. Similarly, insurers and commercial banks providing credit enhancement are likely to judge Benefis as more risky than a similarly positioned sole community provider hospital. Absent any new developments with respect to CMSH or COPA relief, we believe it is likely that Benefis bond issue would be rated 'Baa'/'BBB-' to 'Ba1'/'BB+' by Moody's/S&P. Based on the current interest rate environment, the net incremental cost of borrowing at lower ratings would increase the required interest rate on the 2007 bonds by approximately 0.40% to 0.60%. The current credit risk spreads are narrow by historical measures and there is no certainty that these rates will prevail when the March 2007 issue

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comes to market. On a \$120 million bond issue, this amounts to \$480,000 to \$780,000 in increased annual interest costs. Assuming a 5% discount rate and 20-year duration, the net present value of the annual incremental cost of borrowing equates to \$6.0 to \$9.0 million (Exhibit III).

At this point, we have not attempted to quantify the bond market's appetite for Benefis bonds, nor the market's potential reaction to the CSMH threat and the associated COPA constraints on possible competitive responses by Benefis. Consequently, the actual interest rates necessary for a successful underwriting have not been determined. We have not recommended Benefis test the market's reaction to these issues as this could predispose the market to react negatively. Furthermore, Benefis' ongoing efforts to obtain COPA relief, along with efforts to develop an effective strategy to counter the impact of CSMH have not been concluded. Certain strategies, if permitted, could mitigate rating agency and market concerns.

Our assessment is based on the informed judgment of Cain Brothers senior investment bankers and our underwriting desk. As you are aware, Cain Brothers is one of the nation's leading investment banks focused exclusively on health care industry and has over twenty years of health care bond underwriting experience, with over \$10 billion in bonds underwritten for various health care clients during the past decade alone.

Sincerely,

Carsten Beith
Managing Director

Cc: Neil Ugrin
Wayne Dunn

Benefis Health System
Analysis of Spread Differentials
As of November 14, 2006

Assumptions

Average Outstanding \$120,000,000
Duration 20 years
Discount Rate 5.0%
Convention mid year

Year	Discount Factor	BBB-	BB+/Ba
Pricing Differential		0.40%	0.65%
Incremental Interest Expense		\$480,000	\$780,000
0.5	0.97590	\$468,432	\$761,202
1.5	0.92943	446,126	724,954
2.5	0.88517	424,882	690,433
3.5	0.84302	404,649	657,555
4.5	0.80288	385,380	626,243
5.5	0.76464	367,029	596,422
6.5	0.72823	349,551	568,021
7.5	0.69355	332,906	540,972
8.5	0.66053	317,053	515,212
9.5	0.62907	301,955	490,678
10.5	0.59912	287,577	467,312
11.5	0.57059	273,883	445,059
12.5	0.54342	260,840	423,866
13.5	0.51754	248,420	403,682
14.5	0.49290	236,590	384,459
15.5	0.46942	225,324	366,151
16.5	0.44707	214,594	348,715
17.5	0.42578	204,375	332,110
18.5	0.40551	194,643	316,295
19.5	0.38620	185,374	301,234
Cumulative Present Value		<u>\$6,129,583</u>	<u>\$9,960,573</u>